

MTC STRATEGIC PLANNING PROJECT - 2014

Project description: Marketplace Fairness Act, single audit plan (version 1.2, 2-8-14)

This project would involve development of a high level plan for the MTC to conduct “single audits” on behalf of states in compliance with the Marketplace Fairness Act, should it be enacted. The plan would include the potential for conducting single audits of remote sellers on behalf of all states collectively, as well as the potential for conducting single audits on behalf of a single state and its subdivisions.

Problem: The current version of the Marketplace Fairness Act (MFA) now pending in Congress requires the states to provide for single audits of remote sellers for all state and local taxing jurisdictions within each state. If the MFA passes, MTC will need to identify the key activities that would need to be in place to assist the states with the single audit requirement and the resources that would be needed in order to provide single audit services to the states. This need will be the greatest for the states that are not participating in the SSUTA. There is also a possibility that MFA could be amended to require a single audit on behalf of all states.

Risks: the MFA could pass at any time. The time for implementation would be short. Current audit resources are committed to our existing audit function, and integrating a new audit service will require thoughtful planning and may require different resources or resource allocation.

Opportunities: MTC could assist the states to comply with MFA. The MTC also has the opportunity to bring many remote sellers into nexus compliance early in the life of the MFA. Also, the single audit requirement in the current version of MFA could be a barrier to enactment, and if MTC has an audit program plan ready, it could assist with gaining support for the MFA in Congress.

Target completion date: December 2014

Issues for review:

- What are the key elements needed to satisfy the “single audit” requirement for remote sellers under the MFA?
- How would the MTC provide policy oversight for this kind of a program?
- How would audit candidates be selected?
- What staff resources might be needed to meet the need for “single audits” to be provided for the states?
- What would the cost or fee structure for a “single audit” program look like?
- What technology tools would be needed to conduct “single audits” of remote sellers?
- What kinds of process changes might be needed to implement a “single audit” function within the current MTC audit program?
- What substantive issues are most likely to come up in audits under MFA?
- What strategies might be developed to assure voluntary remote seller compliance?
- What staff resources or technology tools might be needed to maximize voluntary compliance by remote sellers?
- What would be the relationship with SSUTA and CSPs?

Expected outcomes from the project:

- High level structure for a single audit program to meet the requirements of MFA.
- Description of resources needed to implement single audit program.
- List of process changes to existing audit and nexus programs that should be considered, if any.

Who should be involved in this project:

- Representatives of the states – especially states that have multiple sales tax jurisdictions
- SSUTA members or staff – SSUTA has an audit core team that is currently focused on CSP certification
- MTC staff
- Liaison with related MTC projects (example: Uniformity committee)

Additional resources:

- SSUTA service providers
- Larger retailers or larger remote sellers – perhaps later in the process after an audit program is designed at a high level